



U.S. Department of Justice

United States Attorney
Southern District of New York

*The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007*

April 25, 2005

Alan Vinegrad, Esq.
Covington & Burling
1330 Avenue of the Americas
New York, New York 10019

Philip C. Korologos, Esq.
Boies, Schiller & Flexner, LLP
333 Main Street
Armonk, NY 10504

Re: *Adelphia Communications Corporation*

Dear Messrs. Vinegrad and Korologos:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will not criminally prosecute: (1) Adelphia Communications Corporation, ("ACC"); (2) the subsidiaries listed in ACC's Form 10-K for fiscal year 2003; (3) the subsequently-formed or acquired subsidiaries listed on Exhibit S; and (4) any joint ventures in which Adelphia has or acquires a controlling interest (collectively, "Adelphia") for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to Adelphia's participation in the conduct set forth in the Superseding Indictment filed in *United States v. John J. Rigas, et al.*, (S2) 02 Cr 1236 (LBS) ("the Superseding Indictment") and in the complaint filed in *SEC v. Adelphia Communications Corp., et al.*, 02 CV 5776 (PKC) ("the SEC Complaint").

Moreover, if Adelphia fully complies with the understandings specified in this Agreement, no information provided by or on behalf of Adelphia or any testimony given by any then-current employees at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against Adelphia in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to Adelphia and not to any other entities or any individuals except as set forth herein. Adelphia expressly understands that the protections provided to Adelphia by this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization, unless and until such successor formally adopts and executes this Agreement. The protections arising from this agreement will not apply to any purchasers of all or substantially all of the assets of Adelphia, unless such purchaser enters into a

written agreement, on terms acceptable to the Office, agreeing in substance to undertake all obligations set forth in the Continuing Obligation To Cooperate paragraph, except for the obligations set forth in clause (e).

Continuing Obligation To Cooperate

It is understood that, in connection with any matter relating to Adelphia's operations, finances and corporate governance between 1997 and Adelphia's emergence from bankruptcy, Adelphia: (a) shall truthfully and completely disclose all information with respect to the activities of Adelphia, its officers and employees, and others concerning all such matters about which this Office inquires, which information can be used for any purpose, except as limited by the second paragraph of this agreement; (b) shall cooperate fully with this Office, the United States Postal Inspection Service ("USPIS"), and the United States Securities and Exchange Commission ("SEC"); (c) shall, at the Office's request, use its best efforts to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (d) shall provide to this Office upon request, any document, record, or other tangible evidence relating to matters about which this Office or any designated law enforcement agency inquires; and (e) shall bring to this Office's attention all criminal conduct by or criminal investigations of Adelphia or its senior managerial employees which comes to the attention of Adelphia's board of directors or senior management, as well as any administrative proceeding or civil action brought by any governmental authority which alleges fraud by or against Adelphia. It is further understood that Adelphia shall commit no crimes whatsoever. Moreover, any assistance Adelphia may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. Adelphia's obligations under this paragraph shall continue until the later of (1) a period of two years from the date of this Agreement or (2) the date upon which all prosecutions arising out of the conduct described in the Superseding Indictment and the SEC Complaint are final.

Restitution And Remedial Obligations

It is understood that Adelphia shall take the remedial actions and provide for restitution to the victims of the fraud schemes set forth in the Superseding Indictment and the SEC Complaint, as set forth more fully below.

- (1) The United States intends to take title, or otherwise to clear title, to certain cable systems owned directly or indirectly by the entities identified on the attached Exhibit C, pursuant to civil and/or criminal forfeiture orders, as appropriate. In the event the United States obtains or clears title pursuant to a forfeiture, a settlement, or other legal action, Adelphia shall continue to manage and operate the Forfeited Managed Entities listed on Exhibit C pursuant to the terms and conditions of the existing management agreements and understandings and shall

not terminate those management agreements unless and until the earlier of such time as: (a) sixty days after this Office provides Adelphia with written notice of a breach of this Agreement; (b) the Forfeited Managed Entities are conveyed by the United States to Adelphia or its designee, or such conveyance is otherwise effected, pursuant to a petition for remission of forfeiture or otherwise; (c) the Forfeited Managed Entities are sold by the United States; or (d) the passage of eighteen months' time from the signing of this agreement.

- (2) Adelphia shall provide restitution in the amount of \$715 million to ACC security-holders who were victims of the fraud schemes. Payment shall be made to the United States, which will disburse restitution to victims in such forms and amounts as determined by the Attorney General and the SEC, in their sole discretion, subject to any applicable court approval process. This Office and the SEC will provide Adelphia with a reasonable opportunity to present any views concerning the fund before final distribution decisions are made. Adelphia shall make such payment:
- (a) In the event of a standalone emergence of Adelphia from bankruptcy, (i) \$600 million of common stock of the reorganized Adelphia, and (ii) \$115 million of an interest in a litigation trust ("the Trust") to be funded by recoveries obtained by Adelphia or its designee in certain adversary proceedings in bankruptcy and other claims, which interest shall share a first priority with claims of unsatisfied senior creditors and shall enjoy a liquidation preference entitling the holder to receive 50% of the initial net recoveries until up to \$115 million has been distributed on account of such interest in the Trust. The common stock portion of this payment will be valued at the valuation fixed for such stock by the bankruptcy court in connection with Adelphia's approved plan of reorganization.
- (b) In the event of a sale of Adelphia or substantially all of its assets, (i) up to \$400 million of common stock of Adelphia's purchaser, (ii) \$115 million of an interest in the Trust, which interest shall share a first priority with claims of unsatisfied senior creditors and shall enjoy a liquidation preference entitling the holder to receive 50% of the initial net recoveries until up to \$115 million has been distributed on account of such interest in the Trust, and (iii) the balance consisting of not less than \$200 million in cash. The cash portion of this payment is conditioned upon a sale of Adelphia or substantially all of its assets for an amount that includes at least \$10 billion in cash. The substitution of cash for common stock, as provided for above, shall be at Adelphia's sole option. The common stock portion of this payment will be valued at the valuation fixed for such stock by the bankruptcy court in connection with Adelphia's approved plan of reorganization.

- (3) Adelphia's payment obligations under paragraph (2), above, shall be contingent upon the United States obtaining and then conveying, or otherwise effecting the conveyance, to Adelphia or its designee, through a petition for remission or otherwise at the discretion of the Attorney General, of full and clear title, free and clear of all liens, claims, encumbrances or adverse interests, to: (a) all capital stock, partnership, and/or other direct or indirect ownership interests in the Forfeited Managed Entities; (b) the assets listed on Section B of Exhibit E to this Agreement; and (c) at Adelphia's option, the securities listed on Exhibit F and/or the capital stock, partnership and/or other ownership interests of the Other Forfeited Entities listed on Exhibit C that directly, or indirectly, own any of the securities listed on Exhibit F. Such transfer shall be effectuated as soon as reasonably practicable after the entry of a final order of forfeiture as to such properties, but in no event later than confirmation of a plan of reorganization.
- (4) Unless extended on consent of this Office and the SEC, which consent shall not be unreasonably withheld, Adelphia shall make the payments called for in paragraph (2), above, on or before the earlier of: (a) October 15, 2006; (b) 120 days after confirmation of a standalone plan of reorganization; or (c) seven days after the first distribution of stock or cash, as the case may be, to creditors under any plan of reorganization. In the event of cash recoveries by Adelphia of any claims that are or will be made part of the Trust, 50% of such recoveries shall be invested in government-issued securities, with an amount equal to the value of such securities, plus accrued interest, to be paid as described in paragraph (2) above at the time that a plan of reorganization of Adelphia is consummated.
- (5) In order to effectuate the forfeiture of other interests in, and conveyance of title to Adelphia of, the property listed in paragraph 3, above, Adelphia agrees to take such actions as are necessary to: (a) agree not to assert claims against the Rigas Family, as that term is described in Exhibit A, other than John J. Rigas, Timothy J. Rigas, and Michael Rigas, as set forth in the Adelphia/Rigas Agreement, and (b) provide for payment of counsel fees for the Forfeited Managed Entities (as set forth in Exhibit C) and the Rigas Family as required in the Adelphia/Rigas Agreement; and (c) give effect to the conveyance of the ownership interests in Bucktail Broadcasting Corp. currently held by Highland Video Associates, L.P., to members of the Rigas Family other than John J. Rigas, Timothy J. Rigas and Michael J. Rigas. This Office agrees to assist and cooperate with Adelphia in obtaining all necessary governmental consents and approvals (including, to the extent necessary, the consent of local franchise authorities) for the transfer of title to the entities listed on Exhibit C to Adelphia or its designee.

Additional Obligations

It is understood that, should Adelphia commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that Adelphia has given false, incomplete, or misleading testimony or information, or should Adelphia otherwise violate any provision of this Agreement, Adelphia shall thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including perjury and obstruction of justice. The running of the statute of limitations with respect to any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement shall be tolled from the date hereof until the aforementioned period of cooperation has expired, subject to the further tolling provision set forth below in the event the bankruptcy court denies approval of this agreement. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any such prosecution that is not time-barred on the date that this Agreement is signed, to the extent set forth above.

It is understood that if it is determined that Adelphia has committed any crime after signing this Agreement or has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by Adelphia to this Office, the SEC, or other designated law enforcement agents, and any testimony given by any then current officer, agent or employee of Adelphia before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against Adelphia; and (b) Adelphia shall assert no claim under the United States Constitution, any statute, Rule 11(e)(6) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is understood that Adelphia must obtain court approval of this settlement pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure. Within ten business days of the execution of this agreement by all parties, and execution of a consent judgment between Adelphia and the SEC, Adelphia shall move the bankruptcy court for such approval. If such approval is not granted by May 30, 2005 or such other date as may be set for the sentencing of John J. Rigas and Timothy J. Rigas by the Hon. Leonard B. Sand, U.S.D.J., neither this Office nor Adelphia will be bound by any of the provisions of this Agreement, except that, until December 31, 2005: (a) Adelphia shall remain bound by the provisions of this agreement tolling the statute of limitations; and (b) Adelphia shall continue to operate and manage the Forfeited Managed Entities pursuant to the terms of the existing management agreements and understandings.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this Office. This Office will, however, bring the cooperation and remedial actions of Adelphia to the attention of other prosecuting offices, if requested by Adelphia.


Alan Vinegrad, Esq.
Philip C. Korologos, Esq.
April 25, 2005
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With respect to this matter, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and Adelpia. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Very truly yours,

DAVID N. KELLEY
United States Attorney

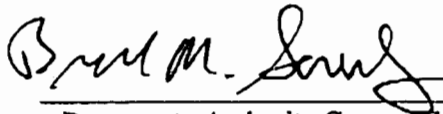
By:


Richard D. Owens
Assistant United States Attorney
(212) 637-2415

APPROVED:


DAVID N. KELLEY
United States Attorney

AGREED AND CONSENTED TO:

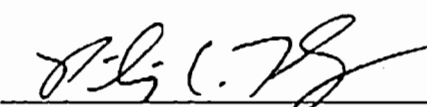

Pursuant to Authority Conveyed
By Resolution of the Board of
Directors of Adelpia

4/25/05
DATE

APPROVED:

Alan Vinegrad, Esq.
Attorney for Adelpia

DATE


Philip C. Korologos, Esq.
Attorney for Adelpia

4/25/05
DATE

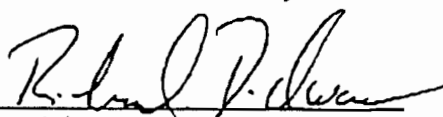
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United States Attorney

By:


Richard D. Owens
Assistant United States Attorney
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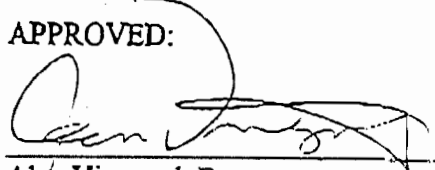

DAVID N. KELLEY
United States Attorney

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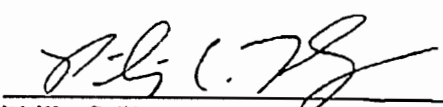
Pursuant to Authority Conveyed
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Alan Vinegrad, Esq.
Attorney for Adelphia

4/25/05
DATE


Philip C. Korologos, Esq.
Attorney for Adelphia

4/25/05
DATE

EXHIBIT S

NON-DEBTOR SUBSIDIARIES

Non-Debtor Subsidiary
ACC Properties Holdings, LLC (DE)
ACC Properties (JB), LLC (DE)
ACC Properties 1, LLC (DE)
ACC Properties 4, LLC (DE)
ACC Properties 6, LLC (DE)
ACC Properties 103, LLC (DE)
ACC Properties 105, LLC (DE)
ACC Properties 106, LLC (DE)
ACC Properties 109, LLC (DE)
ACC Properties 121, LLC (DE)
ACC Properties 122, LLC (DE)
ACC Properties 123, LLC (DE)
ACC Properties 124, LLC (DE)
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